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BLM Fact Sheet

For Immediate Release

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February 2006 Oil & Gas Lease Sale Protest Resolution Questions & Answers

What is BLM's response to the protests related to parcels in the watersheds of the City of Grand Junction and the Town of Palisade?

After a thorough review BLM has determined it has followed all applicable law, regulations, policy and guidance, and provided for adequate protection for water resources through its regulatory authorities and stipulations. BLM has dismissed the protests for the watershed parcels.

What is BLM's decision?

BLM has made decisions and the lessee has committed to actions that are described below:

1. BLM will issue the leases for these parcels to the successful bidder of the February 9, 2006 lease sale.
2. BLM will, immediately upon issuance of the leases, direct a suspension of the leases within the watershed for up to 1 year. This means the operator will be precluded from conducting any surface disturbing activities on the leases for the time of the suspension. The suspension will provide a "time out" and allow the lessee time to work with all appropriate parties before any surface disturbing operations are authorized.
3. The lessee has committed to take the initiative to prepare what might best be termed a "community-based development plan." Such a plan, developed through open dialogue and cooperation among the parties, will identify the key elements to be factored into how the lessee will design its future development activities with the goal to minimize or eliminate community concerns. This effort would be similar to the one that Antero Resources and the communities of Rifle, Silt and New Castle recently developed. The suspension period will give the parties time to build a partnership between the Town of Palisade, the lessee and others for working together in the creation of the community-based development plan.
4. BLM will require the lessee to submit site specific Plans of Development (POD) for any projected development activities prior to authorizing any surface disturbing activities. The lessee intends to incorporate design criteria and best management practices recommendations

agreed upon in the “community-based development plan” process into their POD’s. The POD’s will lay out in detail where the lessee is planning to drill wells, the size and configuration of well pads, subsurface engineering design to protect water zones, access routes to be utilized, location and design of ancillary facilities, best management practices to be used and all of the other specific details about the lessee’s development plans. Those POD’s will undergo thorough environmental review by BLM, in accordance with the National Environmental Policy Act (NEPA), before any operations may be approved. The Town and the public will be invited to participate in and provide input to those environmental reviews.

5. BLM has accepted a proposal from the successful bidder of the parcels and has officially amended the leases to include a “No Surface Occupancy” stipulation for specific areas of the leases. This stipulation will apply to all known spring locations within the Palisade watershed, encompassing approximately 960 acres within the watershed. The stipulation will provide additional assurance of protection for specific Town water facilities and reinforce the lessee’s commitment to working to address concerns.

How can BLM ensure that the watersheds will be protected?

Federal oil and gas leases and subsequently issued permits incorporate substantial environmental-protection measures. An Environmental Impact Statement (EIS) is completed through the land use planning process for leasing decisions. An Environmental Analysis (EA) is conducted at the Application for Permit to Drill (APD) stage for all surface-disturbing activities, including proposed wells and access roads. The EA will identify and evaluate potential impacts of the proposed activity. The EA process includes:

- Site-specific mitigation (environmental protection) measures, or Conditions of Approval (COAs), are attached to every single permit without exception. COAs are applied to the APD, further enhancing stipulations already applied to the lease.
- An interdisciplinary team reviews each drilling proposal, including analysis for surface and sub-surface hydrological and aquifer conditions, and Professional Engineers review the drilling program proposal.
- BLM manages public lands in a manner that protects water quality. Water quality protection is and always has been a high priority for BLM, as demonstrated by the requirements of Onshore Oil and Gas Orders No. 1 and 2, as well as the oil and gas operating regulations found in 43 CFR 3160.
- Consultation occurs with other federal regulatory agencies in accordance with various statutes (Section 7 of the Endangered Species Act, National Historic Preservation Act §106, Clean Water Act §404). BLM coordinates with appropriate local and state agencies as well.
- Public notification and/or review.
- Decision Record issued.

BLM has committed to both communities that they will be involved in the scoping process, identification of issues/resource concerns, identification of suggested Best Management Practices (BMPs) to address those issues and concerns, and review of the Environmental Assessment. BLM encourages the parties involved in the formulation of the community-based development plan to incorporate recommendations for BMP use.

The BLM has worked closely with both municipalities in the past to alleviate concerns about surface disturbance in or near the watersheds. For instance, the BLM worked with an oil and gas

operator in 2001 to voluntarily accept additional stipulations on their lease to address the City of Grand Junction's concerns. Another example occurred when the TransColorado Pipeline was constructed across both watersheds. BLM worked closely with TransColorado to incorporate community concerns, identification of Best Management Practices that were applied to the construction activities, and monitoring protocols. Should development occur within these watersheds, the BLM will place a high priority on monitoring development activities through inspections – particularly during the construction and drilling phases.

How can BLM consider leasing and development in a watershed when so much other land is available?

BLM has been mandated by Congress to make lands available for leasing and mineral development when they are nominated, provided these areas are available for leasing under a previously approved land use plan. The land use plan covering the areas of the Palisade and Grand Junction watersheds, developed through an open and public process, allows for oil and gas leasing. The City and Town participated in this process, and did not protest this decision. Other lands may be available for leasing, but their potential for recoverable oil and gas resources may not be as significant as those areas within the Palisade and Grand Junction watersheds. Lands encompassing these municipal watersheds lie within the southern Piceance Basin, which geologists believe holds significant natural gas resources.

Upon a thorough analysis and review of the protests, the BLM has determined that there is adequate protection for water resources through its regulatory authorities and stipulations. The municipal watersheds of both Rifle and Cedaredge currently have natural gas development occurring within their boundaries and have experienced no negative impacts. In fact, monitoring conducted within the Rifle watershed shows water quality has improved since industry upgraded existing roads and installed soil erosion structures, which mitigated surface runoff in the watershed.

Ultimately, every oil and gas well lies within a watershed. BLM regulations maintain extensive prescriptions for drilling in sensitive areas, and the BLM ensures that all development of energy resources is done in an environmentally sound manner on lands we manage.

Why couldn't the BLM just withdraw these parcels located in such a "pristine" area?

Historic surface-disturbing activities such as oil and gas development, roads and trails, two picnic areas, and several trailheads lie within the City of Grand Junction watershed. Vegetation treatments conducted in the in the 1960s affected 400 acres in the Grand Junction watershed and another 600 acres outside the watershed's boundaries. These surfaces were seeded and continue to provide wildlife habitat today. The City of Grand Junction's watershed currently has 12 permitted well locations, 8 of which have been constructed and drilled, the majority of which are not on BLM-administered lands. The Town of Palisade watershed contains two plugged and abandoned wells, 70 miles of unimproved roads and includes an interstate highway – while it is a municipal watershed, existing infrastructure precludes it from being totally pristine in nature. The TransColorado Pipeline, a major interstate gas transmission pipeline, runs through both watersheds.

The Federal Onshore Oil and Gas Leasing Reform Act of 1987 directs BLM to offer lands for oil and gas leasing that are nominated or requested as long as those lands are open to leasing under a Land Use Plan, which involves extensive opportunity for public input. Many areas that are particularly sensitive can be leased and successfully developed utilizing careful on the ground practices and use of current drilling technology. Given the BLM's multiple use mandate, the Bureau makes all appropriate uses available to the public on as many BLM-managed lands as practical.

Is the BLM “encouraging” oil and gas leasing in environmentally sensitive areas?

No. The BLM makes lands available for leasing only after an exhaustive land use planning process and environmental impact analysis that determines what lands are available for specific uses and, if oil and gas development is deemed an appropriate use of the land, what stipulations will be applied to mitigate potential impacts and ensure environmental protection. The BLM ensures that all development of energy resources is done in an environmentally sound manner on lands we manage because energy development and the protection of natural resources are not mutually exclusive. In Grand Junction, the current RMP/EIS went through complete public review prior to its approval.

Why lease lands at all on the Grand Mesa?

The land use plan for these areas, developed through an open and public process, allows for oil and gas leasing. Leasing and development activities have occurred here for at least three decades. Several leasing stipulations for protecting the resources are identified in the land use plan, and the Grand Junction Field Office (GJFO) expanded existing stipulation coverage prior to the February lease sale.

Within the Town of Palisade Watershed, there have been well over 50 oil and gas leases issued, and there are two plugged and abandoned wells. Most of these leases expired having never been drilled on and have again become available for leasing. It is important to remember; however, that issuing a lease does not necessarily result in drilling and the drilling of an exploratory well does not guarantee production, nor the widespread expansion of wells.

In the City of Grand Junction watershed, leasing also has occurred over the past several decades, most recently in 1999 and again in 2000. Out of 55,715 acres, a total of 11,816 acres are currently leased in the City of Grand Junction watershed. There are 12 well locations found within the City watershed; five are fee wells, two are BLM permitted wells, two are USFS/BLM permitted wells and three are permitted but not drilled wells (two fee and one USFS).

How do we know the BLM won't waive the lease stipulations or make exceptions that jeopardize our drinking water?

BLM will not compromise a municipal drinking water source, or any other resource, to allow the extraction of minerals in an unsafe, irresponsible or illegal manner. Stipulations would not be waived if it were found that to do so would jeopardize the resource they were supposed to protect in the first place. BLM takes protecting municipal watersheds very seriously.

Is BLM going to honor the 1993 Grand Mesa Slopes Special Management Area Management Plan?

Yes. BLM has and continues to cooperate with its partners to achieve common goals in protecting existing resource values and improving the manageability of natural resources and commercial and public uses. The intent of the Grand Mesa Slopes (GMS) Plan was to manage the area cooperatively under a common vision and recognized that oil and gas leasing and development was a part of BLM's Congressional mandate. The GMS Plan did not change the existing land use direction of BLM's RMP regarding oil and gas resources. It did identify as a priority the intent to communicate and coordinate when the actions of one of the partners may affect another. It was in that spirit and intent that BLM began coordinating with the communities very early in the process on proposed oil and gas leasing in the watersheds.

How will the community be involved in the process and what are the next steps?

BLM has suspended these leases for a period of up to one year, to give additional time for the communities, the operator, and other interests to continue dialogue and work together. The suspension prevents the lessee from conducting any ground disturbing activities. The lessee has committed to working with the Town of Palisade on a community-based development plan, using as a template the Plan developed by Antero Resources with the communities of Rifle, Silt, and New Castle. The next year will give a "time out" to all parties to come to the table and begin the development of a working partnership between industry and the communities, which will be a model for others in Mesa County. The BLM will continue to work with the City and the Town as we move through this process.

Has the BLM upheld any of the protests from the February sale?

Yes. There is one protest, which has been upheld, for a parcel located in the Uncompahgre Field Office. This parcel has been removed from future sales, pending additional environmental review. BLM notified the successful bidder that this lease will not be granted and fully refunded their money. Several other protests were upheld, with partial parcels removed from leases.

What laws govern BLM's minerals development program?

The Mineral Leasing Act of 1920 and the 1987 Leasing Reform Act authorize leasing of federal oil and gas resources. The 1987 law, which amended the Mineral Leasing Act, requires each BLM state office to conduct oil and gas lease sales at least quarterly.

The BLM has authority, under the 1982 Federal Oil and Gas Royalty Management Act, to conduct oil and gas inspections, and enforce previously agreed upon stipulations on industry activity. Additionally, the Federal Land Policy Management Act (FLPMA) requires that all potential impacts to public lands resulting from surface-disturbing activities by federal agencies, including those related to oil and gas leasing and development, be analyzed in an open and public process, which BLM does through Land Use Plans.

How does the BLM ensure that appropriate public lands are made available for the oil and gas leasing program?

Leasing decisions are analyzed thoroughly in the course of preparing the Resource Management Plan and Environmental Impact Statement (EIS), which address the cumulative impacts of leasing, exploration, and development, in addition to other activities on public land. EISs include a reasonably foreseeable development scenario for long-term oil and gas development (for example, an estimate of the number of oil and gas wells that could be drilled); a cumulative impact analysis of existing and anticipated oil and gas activity; and lease stipulations that will be attached to each lease to ensure environmental protection. Federal agencies conduct detailed environmental analyses in the land use planning process before issuing any Federal oil and gas leases, regardless of who owns or manages the surface lands. All of these processes go through open public review.

How does the BLM mitigate the surface impacts of oil and gas development?

Less than one percent of the acreage managed by the BLM experiences surface disturbance from oil and gas activity. All leases come with stipulations (general requirements) on oil and gas activities to protect the environment; stipulations can also include specific restrictions, such as limits on seasons when drilling can occur and restrictions on surface occupancy by oil and gas operators.

Once an operator proposes exploration or development on a BLM-issued lease, the Bureau carries out further environmental analysis under the National Environmental Policy Act (NEPA) of 1969, and determines the site-specific need for various types of impact-limiting or "mitigation" measures. Forest Service has a similar process for their lands. These measures include re-vegetation, which controls soil erosion and helps curb the spread of weeds; the strategic placement of above-ground structures and machinery, using colors that blend in with the landscape so as to reduce visual impacts; the establishment of any necessary buffer zones so that oil and gas activity does not adversely affect certain types of wildlife habitat; and the burying of power lines or pipelines under or adjacent to access roads to protect wildlife and minimize visual impacts. In addition, many operators routinely use Best Management Practices – such as remote sensing to monitor well production, which minimizes surface impacts – in conducting their oil and gas activities.

What are the layers of control that BLM uses for oil and gas leasing and development activities?

The first layer of control is a series of stipulations that provide for environmental protection, which are determined during Land Use Plan development and attached to a lease prior to sale. Some examples of stipulations include seasonal wildlife restrictions on when drilling can occur; “no surface occupancy” to protect sensitive areas; “steep slopes” to avoid impacts to soil, water and vegetation resources; and “watershed” stipulations (relocating proposed roads, drilling sites and other facilities) to protect against water quality degradation.

The second layer of control is included in the lease itself, within Section 6 of the lease agreement, detailing conduct of operations. A third layer in protecting resources involves

Conditions of Approval or COAs. COAs are site-specific and attached to permits on a case-by-case basis, and may include typical Best Management Practices (BMPs), which constitute the fourth layer of control measures. The GJFO incorporates BMPs into its COAs and has the authority to shut down any operation in violation. Examples of COAs range from stipulating mud system criteria and fracturing chemicals to stockpiling top soil for reclamation to spelling out how existing or new access roads are to be improved and impacts mitigated.

BMPs, which the BLM develops and applies whenever practical, include but are not limited to:

- Reducing the “foot-print” of roads and well pads by choosing the smallest, safe standard, best facility location and employing “interim” reclamation.
- Reducing visual contrast of facilities by selecting the proper color, shape, size or location.
- Discouraging raptor predation on sensitive species by installing perch avoidance structures or buried distribution power lines on lease.
- Centralizing or automating production facilities to reduce travel to each well.
- Reducing human presence and wildlife disturbance through the use of centralized production facilities, seasonal public vehicle closures and remote monitoring of production.
- Using common utility corridors or burying flowlines in or adjacent to the road.

How can the public be assured that BLM and the State of Colorado will work together closely to follow the Clean Water Act?

The BLM has a strong commitment to protecting water quality. BLM will review any proposed operations within the watershed to ensure that water quality is protected. For instance, the BLM will undertake a detailed review of any drilling activities to ensure they comply with BLM regulations requiring isolation through casing and cementing of groundwater zones. BLM also will require that any surface use plan incorporate the use of Best Management Practices (BMPs) to mitigate any impacts to surface water. In addition, the Colorado Oil & Gas Conservation Commission (COGCC) reviews every Application for Permit to Drill that is filed with the BLM. Working closely with their colleagues in the Department of Natural Resources and the Department of Public Health & Environment, COGCC staff ensure that the proposal will protect critical watershed resources.

The BLM has a comprehensive inspection and enforcement program, which includes drilling, production and environmental inspections. If any oil and gas operations occur on leases within the watershed, BLM has publicly committed to making those activities high priority inspection items which will result in the operations being witnessed by BLM inspectors and resource specialists

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